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November 6, 2007

**Via Hand Delivery**Arizona Corporation Commission  
**DOCKETED**

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Commissioner Kris Mayes  
Commissioner William Mundell  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, Arizona 85007

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Re: Pulte's Response to Additional Questions in the Arizona-American Anthem  
Rate Case WS-01303A-06-0403

Dear Commissioner Mayes and Commissioner Mundell:

On August 17, 2007, Pulte Home Corporation ("Pulte") responded to several requests for additional information posed to its witness, Charlie Enochs, at a July 13, 2007 hearing in Arizona-American Water Company's Anthem rate case, WS-01303A-06-0403. In a September 17, 2007 letter to me in the same case, Commissioner Mayes requested additional information, and Pulte responded in a letter dated October 19, 2007. At the continuation of the hearing on October 31, 2007, Commissioner Mayes and Commissioner Mundell requested information on two issues that are addressed in this letter.

**Issue 1**

Without the benefit of a transcript to review the October 31 exchange, we understand Commissioner Mayes was requesting that Mr. Ward confirm or explain Pulte's August 17, 2007 written responses to questions posed to Mr. Enochs at the July 13, 2007 hearing. Specifically, we understand the questions were directed to the written response quoted below:

2. *Was the Anthem Infrastructure Agreement based upon another agreement? Have other agreements subsequently been based upon the Anthem Infrastructure Agreement? Does Del Webb have any other infrastructure agreements similar to the Anthem Infrastructure Agreement that involve true-up payments?*

**Objections:** Pulte objects to these questions to the extent they seek information regarding Pulte's or any other developer's or builder's business practices, and to the extent they request that Pulte disclose agreement terms for utility infrastructure projects outside of the information Pulte has provided regarding the Anthem project. The bases for these objections include that (1) requests

for utility agreements subject to Commission oversight should be directed to the regulated utilities, (2) information regarding utility infrastructure agreements outside of Anthem is irrelevant to the issues in this case, and (3) the request exceeds the Commission's investigatory authority in this matter. Without waiving these objections, Pulte provides the following response.

**Response:** After the July 13, 2007 hearing, Pulte further researched the origin of the Anthem Infrastructure Agreement. It appears the Anthem Infrastructure Agreement was initially drafted by an employee or an attorney of Citizens Utility Company ("Citizens"), but we are not certain of the person's identity. Pulte defers to Citizens regarding the origin of the Anthem Infrastructure Agreement and its use by Citizens in other areas. See also Attachment 1 (Citizens' Proposal for the Villages at Desert Hills Water/Wastewater Infrastructure, February 28, 1997). To our knowledge, Pulte has not used the Anthem Infrastructure Agreement as a form agreement in another development. Pulte has many agreements for construction and payment for major utility infrastructure in various projects throughout Arizona. Each agreement is unique in addressing the participants, local circumstances, infrastructure needs, and business interests at the time the agreement is made. In general, however, it is not unusual for utility construction costs to be refunded to developers through these agreements, and it is not unusual for some utility companies to use "form" agreements. At the hearing, an APS infrastructure agreement example was discussed with Pulte's witness. See Transcript p. 806 *et seq.* Attachment 2 is a copy of the Anthem Unit 81B Electric Extension Agreement, an example of such an agreement (approximately 78% of costs refundable). In addition, the Commission has on file copies of many line extension agreements applicable to the Anthem water distribution systems that provide for refunds. See also Arizona Administrative Code R14-2-406(B) (Commission's rule requiring refunds in main extension agreements).

At the October 31 hearing, Commissioner Mayes asked whether Pulte had water infrastructure agreements "similar" to the Anthem Infrastructure Agreement in other development projects. We are not certain, especially following the October 31 exchange, what was meant by "similar," but, without waiving our objections stated in the response quoted above, we will attempt to address the question in this letter in a way that clarifies Pulte's prior response.

To our knowledge, Pulte has not used the Anthem Infrastructure Agreement in any manner as a "form" agreement, such as where the parties and project may have changed, but the contract terms and contract structure are largely the same. The Anthem Infrastructure Agreement was a negotiated agreement and addresses unique facts and circumstances as do other major water and wastewater infrastructure agreements. The Anthem Infrastructure Agreement contains a variety of contractual provisions, however, and any one or more of those isolated provisions may be "similar" to a provision in another utility contract involving another project simply because the subject matter or industry practice is similar. The Anthem Infrastructure Agreement as originally executed contains many provisions, including but not limited to, (1) provisions regarding water and sewer service by two utilities, (2) provisions regarding construction, oversight, and turnover of various infrastructure, (3) financial provisions requiring the Webb parties to provide up-front financing for infrastructure to be constructed by either the Webb parties or Citizens parties and related revenue, penalty, contingency, reimbursement, and refund terms, (4) sale, assignment, ordering, and payment provisions regarding a leased Colorado River/CAP water supply, (5) provisions regarding use of recharge facilities, (6) provisions for

bulk non-potable water delivery, (7) provisions regarding penalties for slow build out, (8) provisions regarding condemnation, and (9) provisions regarding dispute and notice procedures. We know of no other agreement that incorporates all these listed provisions in the same overall structure as the Anthem Infrastructure Agreement. Pulte may have other utility infrastructure or line extension agreements with one or a few similar provisions to those above, but the provisions are "similar" only because they address similar subject matter (for example, Pulte would construct and pay for a facility and would in return be entitled to some portion of the cost as a future reimbursement). We do not believe the intent of your question was to capture agreements bearing little overall similarity to the Anthem Infrastructure Agreement terms, and Pulte's response quoted above is made with this understanding.


To the extent our interpretation of the "similarity" of agreements is not in line with your intent in posing this question, then Pulte asks that you clarify the intent of your question and we will provide a response. Pulte will continue to assert, however, the objections stated above, and is not willing to provide copies of other infrastructure agreements for the reasons stated in the objections.

## Issue 2

Commissioner Mundell requested that Pulte provide copies of sales materials given to Anthem homebuyers. Pulte already provided a current typical homebuyer sales package with its August 17, 2007 responses. At the October 31, 2007 hearing, again without the benefit of a transcript, we understand Commissioner Mundell expanded the request to include marketing materials that the various on-site Anthem sales offices have distributed to potential homebuyers over the years.

Pulte objects to this request for the same reasons stated in the objections quoted above, which are incorporated by reference herein. Without waiving these objections, Pulte is diligently evaluating the request and searching voluminous stored information covering approximately 10 years to determine whether materials can be quickly provided to the Commission. Due to the scope of the request, however, Pulte will need more time in order to provide a response. We plan to submit a response as soon as possible, but no later than November 21, 2007.

Sincerely,

  
Michele Van Quathem

cc: Chairman Mike Gleason  
Commissioner Jeff Hatch-Miller  
Commissioner Gary Pierce  
Parties to Docket WS-01303A-06-0403